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DIRECTORATE OF
INTELLIGENCE

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Central Intelligence Bulletin

Top Secret
173

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28 September 1967

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Approved For Release 2002/10/25 : CIA-RDP79T00975A010300230001-1

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USSR: Moscow has outlined a guns-and-butter budget for 1968 designed to boost anniversary year spirits at home and to reinforce the Soviet diplomatic position abroad.

The Communist Party's central committee met on 26 September and reportedly agreed to raise the published defense budget for 1968 by some seven to ten percent. The increase in the published defense budget for 1967 was eight percent. Although the rise is meant to imply an increase in outlays on military and space programs, the published figure is not a true measure of actual outlay. The published defense figures in recent years are believed to have revealed only about three quarters of the actual outlay.

The plenum discussed a new economic plan for 1968-70, without mentioning the five-year plan goals which were set tentatively in 1965 but never approved by the Supreme Soviet. The announcement of a hike in minimum wages and reductions in personal income taxes probably represent the major welfare aspects of the revised plan for 1968-70. The information released so far on consumer goals does not show major policy changes in resource allocation. More specific information on the revised plans and budgets may become available when the Supreme Soviet meets on 10 October.

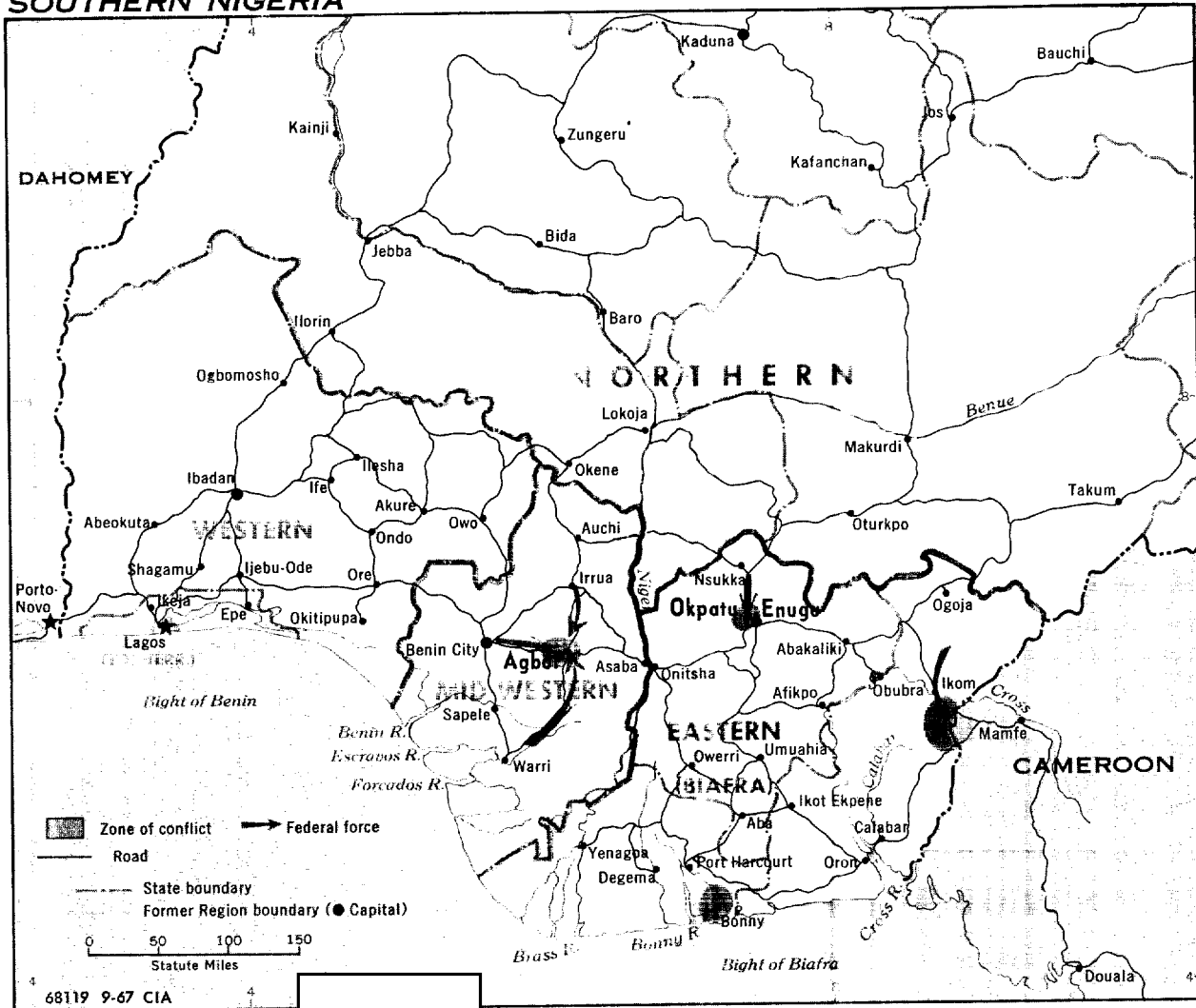
The central committee also formally released Aleksandr Shelepin from the party secretariat, a job he seemed sure to lose ever since last July when he was moved to a secondary post as trade union head. Although his political fortunes have declined sharply in the past year, Shelepin is still a full member of the Politburo. [REDACTED]

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SOUTHERN NIGERIA



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28 Sep 67 CENTRAL INTELLIGENCE BULLETIN Map

Nigeria: Biafran fortunes in the civil war have taken a decided turn for the worse.

Federal artillery yesterday began shelling Enugu, the Biafran capital, from high positions west of the city. Efforts to dislodge the federal forces have so far failed, although Biafran attacks including air strikes are probably going on. Earlier, federal forces captured Okpatu, about eight miles from Enugu, when a Biafran battalion abandoned its positions.

25X1 [redacted] the Biafran government is trying to evacuate civilians from Enugu in an orderly manner to prevent panic. Top officials appear to disagree on the need for this action.

In the Mid-West, Biafran forces now have withdrawn from most of the state into the more friendly Mid-Western Ibo lands adjacent to the Niger River. Their headquarters were last noted at Agbor, but that town is being threatened from three directions.

The string of military setbacks is clearly spreading apprehension among Biafran leaders. Last week Ojukwu summarily executed four persons on charges that they collaborated with Gowon in a plot to betray Biafra. Apparently included was Brigadier Banjo, the former Biafran commander in the Mid-West. Early this week a respected adviser to Ojukwu broadcast a desperate appeal to his fellow Ibos to stop "running away." So far, however, there are no signs that any significant Ibo element is preparing to break with Ojukwu and come to terms with Gowon.

[redacted] (Map)

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West Berlin: The party factionalism and student agitation which led Governing Mayor Albertz to resign this week probably will persist.

Although the basic stability of life in the city and the Allied position there are not threatened by the current political disarray, the situation will be exploited by East German propagandists. In addition, current efforts to boost the city's economic and cultural life may falter, heightening the general feeling of malaise among West Berliners.

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Peru: Government leaders are pessimistic over the short-term prospects for economic and political stability.

They fear that the rising cost of living and a proposed increase in gasoline taxes will result in unrest and violence. There is anxiety that Communists and other extremists will try to foment disorders in southern Peru, a traditional area of leftist influence.

Disarray within President Belaunde's Popular Action Party adds to his problems. On 25 September, party leaders who support the presidential aspirations of Prime Minister Seoane expelled six high-ranking members. Two were former cabinet ministers blamed for the economic crisis that led to the currency devaluation on 1 September.

Pro-Seoane forces are taking advantage of Belaunde's preoccupation with current problems to settle old scores and tighten their grip on the party machinery. This evidence of partisan maneuvering and wrangling will erode public confidence in the Belaunde administration even further. Peruvians look toward the military in times of stress, and if the present situation continues much longer, there may be demands for military intervention.

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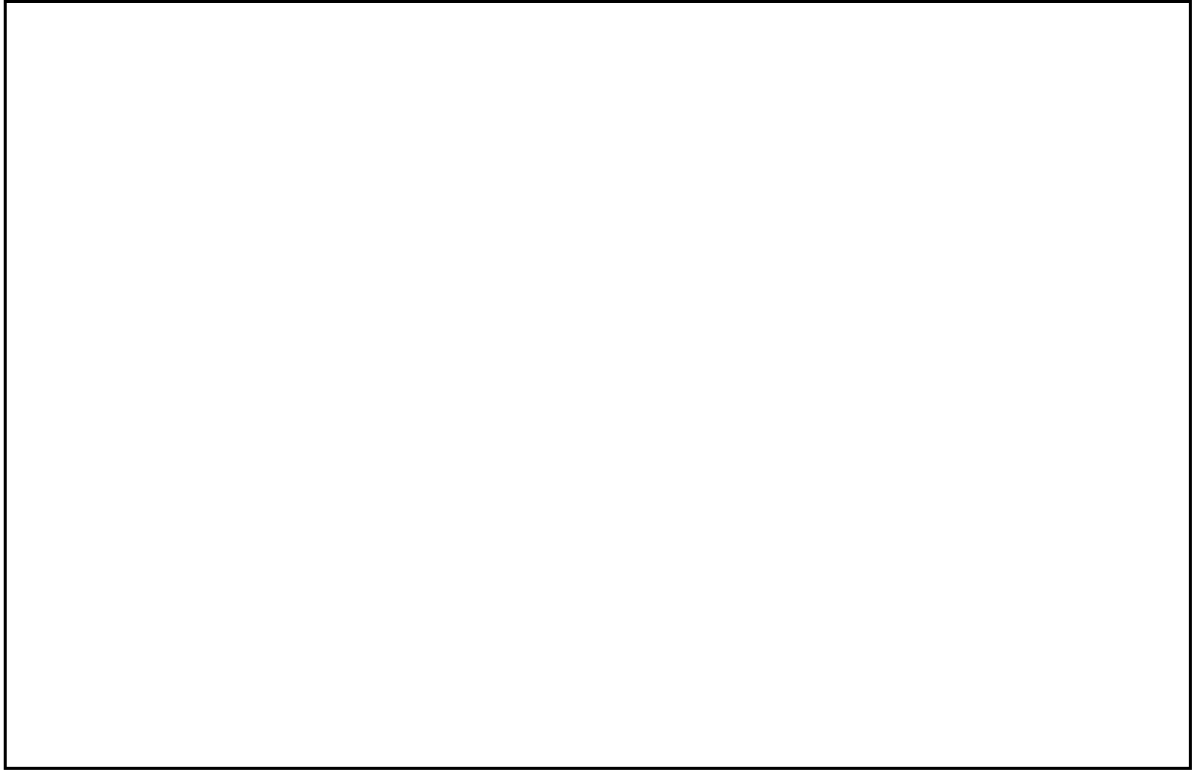
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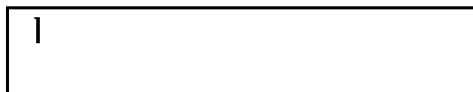
Ecuador: The government is negotiating a \$30 million loan from private European bankers. Many Ecuadorean economists oppose such a loan, claiming it would create serious problems for the economy. The loan could further reduce Ecuador's interest in important economic development projects financed by international lending agencies. Political considerations, however, will probably be overriding, and Ecuador can be expected to pursue the negotiations.



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